

Message Text

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 4678

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMCONSUL FLORENCE

AMCONSUL GENOA

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMEMBASSY PARIS

USMISSION OECD PARIS

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SUBJECT: DC PUBLISHES FOUR POINT ECONOMIC PROGRAM

1. /SUMMARY:/ ON MAY 15 ITALIAN PRESS FOCUSES ON FOUR PINT
ECONOMIC PROGRAM DEVELOPED BY CHRISTIAN DEMOCRATS (DC) DURING
RECENT MONTHS. PROGRAM IS EXPECTED (ALONG WITH IMF STANDBY
COMMITMENTS) TO PROVIDE BASIS FOR BILATERAL TALKS AMONG DC AND
ABSTENTION PARTIES CONCERNING ECONOMIC CONTENT OF PROPOSED
"PROGRAMMATIC ACCORD." FOUR PINT PROGRAM INCLUDES: (1) REDUCTION
IN PUBLIC DEFICITS, ESPECIALLY THOSE OF HEALTH AND PENSION
INSTITUTES; (2) CONTROL OVER UNIT LABOR COSTS THROUGH INCREASE
IN PRODUCTIVITY, MODIFICATION OF WAGE INDEXATION (SCALA
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MOBILE) SYSTEM AND MODERATION IN COMPANY-LEVEL WAGE DEMANDS;
(3) INCREASED INVESTMENT, ESPECIALLY IN RESIDENTIAL HOUSING AND
IN FOOD AND AGRICULTURE SECTORS AND (4) NEGOTIATION OF "PACT"
WITH BUSINESS SECTOR AIMED AT INCREASING EXPORTS, CONSERVING
ENERGY AND RAW MATERIALS, RESTRAINING PRICES AND INCREASING
INVESTMENT AND YOUTH EMPLOYMENT. PROGRAM IS NOT A "NEW INITIATIVE"
BUT APPARENTLY WAS USED BY DC DURING MEETINGS WHICH PRECEDED

IMF AGREEMENT. AS SUCH, DC MAY HAVE TO UPDATE SOME OF ECONOMIC POLICY PROPOSALS FOR USE IN UPCOMING BILATERAL TALKS. /END SUMMARY./

2. ON MAY 15 ITALIAN PRESS REPORTED OUTLINE OF DC ECONOMIC PROGRAM WHICH MAY BE USED AS POINT OF DEPARTURE IN ECONOMIC FIELD DURING CURRENT TALKS WITH ABSTENTION PARTIES IN SEARCH OF "PRO-GRAMMATIC ACCORD." DESCRIPTION OF PROGRAM IS BASED ON ARTICLE PUBLISHED IN DC WEEKLY MAGAZINE /LA DISCUSSIONE/ OF MAY 16. THIS ARTICLE REFERS TO ECONOMIC POLICY STATEMENT PREPARED BY DC PLANNING OFFICE ABOUT FOUR MONTHS AGO BUT WHICH STILL CONSTITUTES CURRENT GUIDELINES FOR PARTY IN ECONOMIC FIELD. FOUR MAIN AREAS OF ECONOMIC DISEQUILIBRIA WHICH DC PROGRAM PROPOSES TO ADDRESS ARE: (A) HIGH RATE OF INFLATION, (B) LARGE BALANCE OF PAYMENT DEFICIT, (C) LARGE PUBLIC SECTOR DEFICIT, AND (D) UNSATISFACTORY GROWTH OF INVESTMENT AND EMPLOYMENT.

3. /REDUCTION IN PUBLIC DEFICIT./ FIRST STEPS IN REDUCING DEFICITS WERE INCREASES IN TAXES AND PUBLIC SERVICE TARIFFS, BETTER CONTROL OVER RESOURCES AVAILABLE TO LOCAL GOVERNMENTS AND SOCIAL INSURANCE INSTITUTES, AND AUSTERITY THROUGHOUT ENTIRE PUBLIC SECTOR. IN FIELD OF HEALTH INSURANCE, PLAN CALLS FOR: (A) PROMPT ADOPTION OF MINIMUM PAYMENTS (TICKET MODERATORE) BY BENEFICIARIES FOR NON-ESSENTIAL PHARMACEUTICALS, (B) REDUCTION IN SALARY COMPENSATION PAID BY HEALTH INSURANCE FUND DURING FIRST THREE DAYS OF SICK LEAVE FOR NON-SERIOUS ILLNESS, (C) PARTIAL PAYMENT OF COST FOR USE OF MEDICAL SPECIALISTS BY UPPER INCOME BENEFICIARIES, AND (D) CREATION OF NEW BODY (E.G., HIGH COMMISSION) TO MONITOR HEALTH EXPENDITURES. IN FIELD OF PENSIONS UNCLASSIFIED

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PROGRAM PROPOSES: (A) REVISION OF DISABILITY INSURANCE PAYMENTS TO BENEFICIARIES WHO ARE UNDER MINIMUM RETIREMENT AGE, (B) INTRODUCTION OF STRICT CONTROL OVER PAYMENTS OF UNEMPLOYMENT INSURANCE TO THOSE WHO ARE ALSO RECIPIENTS OF RETIREMENT PENSIONS, AND (C) SUSPENSION OF FAMILY ALLOWANCE PAYMENTS TO RECIPIENTS WITH INCOMES ABOVE A CERTAIN LEVEL.

4. /CONTROL OVER UNIT LABOR COSTS./ PROGRAM STRESSES IMPORTANCE OF LIMITING INCREASES IN UNIT LABOR COSTS IN LINE WITH THOSE IN COMPETING COUNTRIES. ACTION IS CALLED FOR BOTH TO CONTROL GROWTH OF MONEY INCOMES AND TO INCREASE PRODUCTIVITY. PROGRAM EMPHASIZES NEED TO DEAL WITH PROBLEM OF SCALA MOBILE MECHANISM. A LIMIT ON INCREASES IN SCALA MOBILE WAGE ADJUSTMENTS TO 16 POINT CEILING CONTAINED IN IMF STANDBY (NET OF ADJUSTMENTS FOR "FISCALIZATION" OF SOME EMPLOYEES HEALTH INSURANCE CONTRIBUTIONS) AND RESTRAINT IN COMPANY-LEVEL WAGE NEGOTIATIONS WOULD BE MAJOR GOALS FOR 1977. REDUCTION IN EXTENT OF COVERAGE OF SCALA MOBILE IS CALLED FOR, ALTHOUGH COMPLETE COVERAGE WOULD BE RETAINED FOR LOW INCOME WAGE EARNERS.

5. /INVESTMENT./ FOR 1977 EMPHASIS IS PLACED ON REVIVAL OF INVESTMENT IN RESIDENTIAL HOUSING AND IN FOOD AND AGRICULTURE SECTORS. PLAN SUGGESTS THAT HOUSING LOANS EITHER BE INDEXED TO CHANGES IN AVERAGE SALARY LEVEL OR TO CHANGES IN COST OF LIVING INDEX. UP TO 75 PERCENT OF COST OF HOME COULD BE FINANCED BY A MORTGAGE WITH TERMS EQUAL TO ABOUT 20 PERCENT OF THE AVERAGE SALARY. THE REMAINING 25 PERCENT WOULD BE FINANCED ONE-HALF BY DOWNPAYMENT BY BORROWER AND ONE-HALF BY EITHER LOAN OF SEVERANCE PAY FUNDS FROM EMPLOYER OR BY SOME OTHER SOURCE OF FUNDS.

6. /"PACT" WITH BUSINESS SECTOR./ GOVERNMENT WOULD SEEK TO NEGOTIATE COMMITMENTS FROM 500 LARGEST BUSINESSES CONCERNING: (1) EXPORT EXPANSION, (2) CONSERVATION OF ENERGY AND IMPORT SUBSTITUTION OF RAW MATERIAL AND OTHER PRODUCTS, (C) LINK BETWEEN PRICE INCREASES AND NATIONAL INFLATION TARGETS, (4) STANDARDIZATION IN PRODUCTION PROCESSES AND MARKETING SYSTEMS FOR UNCLASSIFIED

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SOME COMMON CONSUMPTION GOODS, (5) INVESTMENT IN THE SOUTH AND IN IMPORT SUBSTITUTION SECTORS, (6) SMALL LOANS OF 3 TO 4 MILLION LIR E TO EMPLOYEES IN CONNECTION WITH LOW-INCOME HOUSING PROGRAMS, AND (7) COMMITMENT TO TAKE ADVANTAGE OF YOUTH EMPLOYMENT PROGRAMS SO AS TO HIRE 100 THOUSAND FOR TRAINING IN INDUSTRIAL SECTOR DURING 1977.

7. /COMMENT./ FOUR-PINT PROGRAM APPEARS TO BE SOMEWHAT OUT OF DATE IN VIEW OF AGREEMENT REACHED IN SOME OF THESE AREAS AND EMBODIED IN GOI LETTER TO INTENT TO IMF. PRESUMABLY PROGRAM WILL NOW BE UPDATED AND MODIFIED TO INCLUDE MEDIUM-TERM PROPOSALS FOR DEALING WITH PERSISTENT INFLATION AND BALANCE OF PAYMENTS PROBLEMS AND FOR REVIVING INVESTMENT AND EMPLOYMENT. GARDNER

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